

EXHIBIT G

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**For the quarterly period ended **September 30, 2021**

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **000-18730****DarkPulse, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

87-0472109

(I.R.S. Employer Identification No.)

1345 Ave of the Americas, 2nd Floor, New York, NY

(Address of principal executive offices)

10105

(Zip Code)

(800) 436-1436

(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act:

Title of Each Class

Not applicable

Trading Symbol(s)

Not applicable

Name of each exchange on which registered

Not applicable

Indicate by check mark whether the registrant has filed (1) all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☒

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the registrant's common stock on November 12, 2021, was 4,976,669,407.

DARKPULSE, INC.
FORM 10-Q
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

DARKPULSE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2021	Audited December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,564,492	\$ 337
Accounts receivable, net	5,812,003	—
Inventory	1,630,051	—
Unbilled revenue	1,103,876	—
Other current assets	137,979	—
TOTAL CURRENT ASSETS	11,248,401	337
NON-CURRENT ASSETS:		
Property and equipment, net	1,837,399	—
Operating lease right-of-use assets	1,476,771	—
Patents, net	355,719	393,990
Goodwill	15,536,899	—
Other assets, net	282,881	91,464
TOTAL NON-CURRENT ASSETS	19,489,673	485,454
TOTAL ASSETS	\$ 30,738,072	\$ 485,791
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 9,549,305	\$ 1,089,869
Convertible notes, net of discount \$111,888 and \$39,414 respectively	1,091,375	931,158
Notes payable	2,000,000	—
Customer deposits	4,802,891	—
Derivative Liability	479,088	1,220,877
Contract liabilities	2,699,688	—
Operating lease liabilities - current	575,446	—
Other current liabilities	2,190,110	—
TOTAL CURRENT LIABILITIES	23,387,903	3,241,904
NON-CURRENT LIABILITIES:		
Secured debenture	1,184,516	1,176,092
Operating lease liabilities - non-current	1,592,880	—
TOTAL NON-CURRENT LIABILITIES	2,777,396	1,176,092
TOTAL LIABILITIES	26,165,299	4,417,996
STOCKHOLDERS' DEFICIT		
Common Stock, Par Value \$0.0001, 20,000,000,000 shares authorized 4,922,968,442 and 4,088,762,156 shares issued and outstanding respectively	492,297	408,876

Treasury Stock, 100,000 shares	(1,000)	(1,000)
Convertible Preferred Stock, Series D, par value \$0.01, 100,000 shares authorized, 88,235 shares issued and outstanding	883	883
Paid in capital in excess of par value	12,327,090	1,805,813
Distributions	(6,400)	—
Non-controlling interest in a variable interest entity and subsidiary	(34,113)	(12,439)
Accumulated other comprehensive income	168,496	315,832
Accumulated deficit	(8,374,480)	(6,450,170)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	4,572,773	(3,932,205)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 30,738,072	\$ 485,791

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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DARKPULSE, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2021	2020	2021	2020
REVENUE	\$ 3,500,970	\$ —	\$ 3,500,970	\$ —
COST OF GOODS SOLD	2,767,239	—	2,767,239	—
GROSS PROFIT	733,731	—	733,731	—
OPERATING EXPENSES:				
Selling, general and administrative	406,940	34,782	531,793	120,866
Salaries, wages and payroll taxes	1,007,453	—	1,007,453	187
Professional fees	1,680,600	—	1,901,572	48,297
Depreciation and amortization	91,222	12,757	116,736	38,271
Debt transaction expenses	33,000	—	184,950	—
TOTAL OPERATING EXPENSES	3,219,215	47,539	3,742,504	207,621
NET OPERATING LOSS	(2,485,484)	(47,539)	(3,008,773)	(207,621)
OTHER INCOME (EXPENSE):				
Interest expense	(320,706)	(37,318)	(671,290)	(97,842)
Gain on settlement of debt	785,240	—	785,240	1,000
Change in fair market of derivative liabilities	(251,133)	(87,852)	76,363	(44,684)
Gain/Loss on convertible notes	432,893	(1,313)	741,789	(39,414)
Foreign currency exchange rate variance	152,361	—	152,360	—
TOTAL OTHER INCOME (EXPENSE)	798,655	(126,483)	1,084,462	(180,940)
NET LOSS	(1,686,829)	(174,022)	(1,924,311)	(388,561)
Net Loss attributable to noncontrolling interests in variable interest entity and subsidiary	15,838	—	15,838	—
Net loss attributable to Company stockholders	\$ (1,670,991)	\$ (174,022)	\$ (1,908,473)	\$ (388,561)
LOSS PER SHARE:				
Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic and Diluted	4,835,935,495	2,355,108,904	4,679,197,410	1,754,933,152

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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DARKPULSE, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

FOR THE THREE MONTHS
ENDED SEPTEMBER 30,

FOR THE NINE MONTHS
ENDED SEPTEMBER 30,

On August 19, 2021, we entered into the Purchase Agreement with GHS, for the offering of up to \$45,000,000 worth of Common Stock. Pursuant to the Purchase Agreement, on August 19, 2021, we and GHS agreed that we would issue and sell to GHS, and GHS would purchase from the Company, 31,799,260 shares of Common Stock for total proceeds to the Company, net of discounts, of \$3,300,000, at an effective price of \$0.1038 per share (the "**First Closing**"). We received approximately \$2,790,000 in net proceeds from the First Closing after deducting the fees and other estimated offering expenses payable by us. We used the net proceeds from the First Closing for working capital and for general corporate purposes. The shares were issued to GHS in a registered direct offering, pursuant to a prospectus supplement to our currently effective registration statement on Form S-3 (File No. 333-257826), which was initially filed with the SEC on July 12, 2021, and was declared effective on August 18, 2021. On September 30, 2021, the Company paid a \$275,000 placement fee to J.H. Darbie & Co, \$125,000 cash and \$150,000 with 1,073,730 shares of common stock.

Pursuant to the Purchase Agreement, on August 31, 2021, we and GHS agreed that the Company would issue and sell to GHS, and GHS would purchase from us, 27,297,995 shares of Common Stock for total proceeds to us, net of discounts, of \$3,300,000, at an effective price of \$0.120888 per share (the "**Second Closing**"). We received approximately \$2,885,000 in net proceeds from the Second Closing after deducting the fees and other estimated offering expenses payable by us. We used the net proceeds from the Second Closing for working capital and for general corporate purposes. The shares were issued to GHS in a registered direct offering, pursuant to a prospectus supplement to our currently effective registration statement on Form S-3 (File No. 333-257826), which was initially filed with the SEC on July 12, 2021, and was declared effective on August 18, 2021. On September 30, 2021, the Company paid a \$262,000 placement fee to J.H. Darbie & CO, \$112,000 cash and \$150,000 with 1,185,771 shares of common stock.

Pursuant to the Purchase Agreement, on September 22, 2021, we and GHS agreed that we would issue and sell to GHS, and GHS would purchase from us, 25,630,272 shares of Common Stock for total proceeds to us, net of discounts, of \$2,000,000, at an effective price of \$0.085836 per share (the "**Third Closing**"). We received approximately \$1,915,000 in net proceeds from the Third Closing after deducting the fees and other estimated offering expenses payable by us. We used the net proceeds from the Third Closing for working capital and for general corporate purposes. The shares were issued to GHS in a registered direct offering, pursuant to a prospectus supplement to our currently effective registration statement on Form S-3 (File No. 333-257826), which was initially filed with the SEC on July 12, 2021, and was declared effective on August 18, 2021. On September 30, 2021, the Company paid a \$185,000 placement fee to J.H. Darbie & CO, \$85,000 cash and \$100,000 with 934,580 shares of common stock.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions. Pursuant to Section 850-10-20 the related parties include a) affiliates of the Company; b) Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d) principal owners of the Company; e) management of the Company; f) other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g) Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests. The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a) the nature of the relationship(s) involved; b) a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c) the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d) amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

During the three months ended September 30, 2021 and 2020, the Company's Chief Executive Officer advanced personal funds in the amount of \$0 and \$10,582 for Company expenses. As of September 30, 2021, the Company's Chief Executive Officer is owed a total of \$23,980 for advanced personal funds.

NOTE 13 – COMMITMENTS & CONTINGENCIES

Potential Royalty Payments

The Company, in consideration of the terms of the debenture to the University of New Brunswick, shall pay to the University a two percent royalty on sales of any and all products or services which incorporate the Company's patents for a period of five years from April 24, 2018.

Legal Matters

Carebourn Capital, L.P.

On January 29, 2021, Carebourn Capital, L.P. ("**Carebourn**") commenced suit against the Company in the 4th Judicial District (Hennepin County District Court) (Minnesota), alleging the Company breached the terms and conditions of two convertible promissory notes and accompanying securities purchase agreements Carebourn and the Company entered into on July 17, 2018 and July 24, 2018, respectively.

Also on January 29, 2021, Carebourn moved for a temporary injunction to enjoin the Company from transferring any shares of its common stock to any third parties. Following submission of briefing by both parties and oral arguments on Carebourn's motion, on March 17, 2021, the Court denied Carebourn's motion for a temporary injunction.

On April 14, 2021, Carebourn filed an amended complaint and asserted new claims. On May 13, 2021, the Company filed a motion to dismiss Carebourn's amended complaint, arguing that Carebourn is conducting itself as an unregistered dealer, in violation of Section 15(a) of the Securities and Exchange Act of 1934 (the "**Act**"), and, pursuant to Section 29(b) of the Act, the Company is entitled to have all contracts arising under the unlawful securities transaction declared void ab initio and seek rescissory damages for any unlawful securities transactions effected by Carebourn.

As of the date hereof, a ruling has not been issued on the foregoing motions to dismiss filed by the Company and other defendants. Furthermore, as of the date hereof, the Company and Carebourn are conducting discovery. The Company intends to defend itself against the allegations asserted in Carebourn's amended complaint and interpose the defenses provided under the Act, including but not limited to asserting that Carebourn is an unregistered dealer acting in violation of Section 15(a) and, pursuant to Section 29(b), the Company interposing its right to rescind the unlawful securities contracts in their entirety and, furthermore, seek rescissory damages for any unlawful securities transactions effected by Carebourn. The Company contends that its arguments are brought in good faith, particularly in light of recent SEC enforcement actions and the SEC's ongoing

Former DarkPulse Officers

On September 10, 2021, Stephen Goodman, Mark Banash, and David Singer (the "**Former Officers**"), all former officers and employees of the Company, commenced suit against the Company in Arizona Superior Court, Maricopa County. The complaint alleges the Company breached the rights of the Former Officers in connection with Series D preferred stock issued to the Former Officers. The Company intends to defend itself against the allegations asserted in the Former Officers' complaint. If the case progresses the Company will file countersuits against all plaintiffs.

More Capital, LLC

On June 29, 2021, More Capital, LLC ("**More**") commenced suit against the Company, et al., in the 4th Judicial District (Hennepin County District Court) (Minnesota), alleging the Company breached the terms and conditions of a convertible promissory note and accompanying securities purchase agreement More and the Company entered into on August 20, 2018.

On July 20, 2021, the Company filed a motion to dismiss More's complaint, arguing that the claims asserted against the Company fail to state a claim upon which relief can be granted.

The Company intends to defend itself against the allegations asserted in More's complaint and interpose the defenses provided under the Act, including but not limited to asserting that More is an unregistered dealer acting in violation of Section 15(a) of the Act and, pursuant to Section 29(b) of the Act, the Company interposing its right to rescind the unlawful securities contracts in their entirety and, furthermore, seek rescissory damages for any unlawful securities transactions effected by More. The Company contends that its arguments are brought in good faith, particularly in light of recent SEC enforcement actions and the SEC's ongoing investigation against More, among other parties, for violations of federal securities laws, including violations of Section 15(a) of the Act. See U.S. Securities and Exchange Commission v. Carebourn Capital, LP et al, Case No. 1:20-cv-07162 (N.D. Ill.).

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. We are not currently involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which we are a party or to which any of our properties is subject, which would reasonably be likely to have a material adverse effect on our business, financial condition and operating results.

NOTE 14— SUBSEQUENT EVENTS

The Company evaluated events occurring after the date of the accompanying unaudited condensed consolidated balance sheets through the date the financial statements were issued and has identified the following subsequent events that it believes require disclosure:

Effective October 1, 2021, we entered into and closed the Membership Purchase Agreement (the "**TerraData MPA**") with TerraData Unmanned, PLLC, a Florida limited liability company ("**TerraData**"), and Justin Dee, the sole shareholder of TerraData, pursuant to which we agreed to purchase 60% of the equity interests in TerraData in exchange for 3,725,386 shares of our Common Stock and \$400,000, subject to adjustments as defined in the TerraData MPA, to be paid within 12 weeks of closing. TerraData is now a subsidiary of the Company.

Pursuant to the Purchase Agreement, on October 1, 2021, we and GHS agreed that we would issue and sell to GHS, and GHS would purchase from us, 37,187,289 shares of Common Stock for total proceeds to us, net of discounts, of \$3,000,000, at an effective price of \$0.08874 per share (the "**Fourth Closing**"). We received approximately \$2,850,000 in net proceeds from the Fourth Closing after deducting the fees and other estimated offering expenses payable by us. We used the net proceeds from the Fourth Closing for working capital and for general corporate purposes. The shares were issued to GHS in a registered direct offering, pursuant to a prospectus supplement to our currently effective registration statement on Form S-3 (File No. 333-257826), which was initially filed with the SEC on July 12, 2021, and was declared effective on August 18, 2021.

Pursuant to the Purchase Agreement, on October 14, 2021, we and GHS agreed that we would issue and sell to GHS, and GHS would purchase from us, 14,282,304 shares of Common Stock for total proceeds to us, net of discounts, of \$1,055,000, at an effective price of \$0.08125 per share (the "**Fifth Closing**"). We received approximately \$1,002,250 in net proceeds from the Fifth Closing after deducting the fees and other estimated offering expenses payable by us. We used the net proceeds from the Fifth Closing for working capital and for general corporate purposes. The shares were issued to GHS in a registered direct offering, pursuant to a prospectus supplement to our currently effective registration statement on Form S-3 (File No. 333-257826), which was initially filed with the SEC on July 12, 2021, and was declared effective on August 18, 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events; are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2020. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements

Critical Accounting Policies